

**GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA**

UNSTARRED QUESTION NO:2366
ANSWERED ON:09.08.2005
EXPORT SUBSIDY ON COTTON
Purandeswari Smt. Daggubati

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

- (a) whether U.S has since implemented the decision of the Dispute Settlement Body (DSB) appointed by WTO regarding huge export subsidies to the domestic cotton growers in U.S.A.;
- (b) if so, the details thereof;
- (c) if not, the reasons therefor;
- (d) whether India as a third party to the dispute has made any move to the appropriate authorities for an early implementation of the decision; and
- (e) if so, the action proposed to be taken by India in the matter?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI E.V.K.S. ELANOOVAN)

(a),(b) & (c): The Dispute Settlement Body (DSB) of WTO adopted the Panel and Appellate Body report in this dispute on 21 March, 2005. The DSB found that the US violated certain provisions of the Agreement on Agriculture (AoA) and of the Agreement on Subsidies and Countervailing Measures (ASCM). Violations included the grant of some prohibited subsidies by the US. As per the panel report, the US was to withdraw these prohibited subsidies by July 1, 2005. In the absence of such withdrawal, Brazil can take counter measures under Article 4.10 of the ASCM.

United States announced on June 30, 2005 administrative changes to the Commodity Credit Corporation's Export Guarantee Programme (GSM 102), Intermediate Export Credit Guarantee programme (GSM 103) and Supplier Credit Guarantee Programme (SCGP). A legislative proposal has also been sent to the United States' Congress with a view to repealing, as soon as possible, the user marketing (Step 2) programme for exporters of upland cotton and domestic users of upland cotton.

In order to preserve its rights, Brazil has requested authorization to take appropriate counter measures pursuant to Article 4.10 of the ASCM in a communication to the DSB dated July 5, 2005. The US has challenged the level of counter measures proposed by Brazil. However, in view of the above mentioned announcement by the US government, Brazil has entered into a bilateral agreement with the US which determines the sequence of a possible compliance panel once the US has actually notified its measures and, in case the compliance panel rules against the US, resumption of arbitration proceedings for determining the level of counter measures.

The Reasonable Period of Time available to the US in respect of other violations under the AoA and the ASCM has not yet been determined. Hence it cannot be said by which time the US will fully comply with the DSB ruling.

(d) & (e): India as a third party in the dispute does not have any rights regarding implementation of the decision of the DSB. India will however closely monitor the developments between the US and Brazil in terms of implementation of the DSB's recommendations and ruling.